MONEY MATTERS: A REALITY CHECK, WITH HELP FROM VIRGINIA WOOLF

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Money can't buy happiness, but it can buy sleep.

Advertisement by Prudential Securities in *Architectural Digest* (April, 1994), p. 31

... there was a long bitter sporadically violent strike in effect against Ferris Plastics where Muriel used to work, we saw the strikers marching carrying their red-lettered A.F. OF L. STRIKE signs we saw their drawn faces, worried angry eyes the eyes of men and women who don't control their futures knowing FINANCES are the wormy heart of our civilization, can you live in dignity with such a truth?

Joyce Carol Oates, *Foxfire: Confessions of a Girl Gang* (New York: Dutton, 1993), p. 213.

Introduction: How Money Matters

It has now been ten years since the World Commission on Environment and Development (1987), better known as the Brundtland Commission, popularized the concept of sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987: p. 43). Since then a great deal of discussion has surrounded the definition of sustainability as applied to economic development and environmental management. When advocates of sustainability have paid explicit attention to

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human well being, they have tended to focus on two issues: (a) the privation that goes along with poverty in much of the world, and the attendant downward spiral of economic desperation and environmental degradation; and (b) the supposed need to recognize limits to growth with respect to the incomes and/or consumption in (roughly) the richest one-fifth of the world.

I take for granted the ethical imperative identified by the Brundtland Commission of giving overriding priority to the essential needs of the world's poor, and (I hope uncontroversially) further assume that this means raising their incomes substantially. Ironically, much of what passes for development policy on the part of the international community has had precisely the opposite effect. Research carried out for UNICEF during the 1980s identified a number of direct and indirect links among income losses, the structural adjustment policies imposed on many developing countries, and declines in the welfare of children (especially the children of the poor) as measured by such indicators as malnutrition, infant mortality, child deaths, and the educational attainment of children (Cornia, 1987; for an update of these findings that reaches similar conclusions see Stewart, 1991). The mechanisms through which economic decline and structural adjustment are linked to declines in child welfare include unemployment and declining incomes for those still employed; cutbacks in food subsidies (since food prices have a disproportionate impact on the well being of the poor); and reduction or elimination of governmental expenditures on providing basic services (Cornia, 1987: 35-47; Stewart, 1991: 1849-1854). Similarly, by the middle of the 1980s the indebtedness of the capital-importing developing countries had created a situation in which those countries were paying out US $41 billion a year more (in 1985) than they were receiving in the form of new capital inflows (WCED, 1987: p. 69)--a situation with direct links to child survival rates and other indicators (UNICEF, 1990: pp. 35, 64; UNDP, 1992: pp. 45-47).

The intimate connection between lack of purchasing power and unmet basic needs is by no means confined to the so-called Third World. Lost in the 1995-96 debate on "welfare reform" in the United States were the grotesque inadequacy of the financial assistance made available under the federal Aid for Families with Dependent Children program (AFDC) and the daily details of life for those who relied on AFDC as a source of income (as demonstrated by Dugger, 1995; Janofsky, 1995; Johnson, 1996). Neglected in most discussions of homelessness in North America is its immediate cause: some people cannot afford a place to live, and no entitlements are available to compensate for that lack of purchasing power (as shown in many of the chapters in O'Malley, ed., 1992). Whether the frame of reference is welfare reform or homelessness, extraordinary attention is devoted to the personal histories of the individuals who end up with so little purchasing power, while scant importance is attached to the fact itself or to the social arrangements that allow such impoverishment to continue.

Above and beyond the satisfaction of essential needs, money matters because of the need to live with the truth identified by Oates, in dignity or otherwise. A variety of human aspirations are dependent on access to income, as pointed out by Virginia Woolf ([1928]1963: p. 6) in her classic observation that "a woman must have money and a room of her own if she is to write fiction". More recently, an unusually sensitive study of political responses to unemployment in the United States correctly emphasized that "joblessness is a special case of class disadvantage, associated with a particularly acute form of economic deprivation" (Schlozman and Verba, 1979: p. 21) and summarized respondents' concerns as follows: "Whether lost wages were providing groceries or movie tickets, this month's rent or this season's fashions, virtually all of the unemployed report that one thing they miss about their jobs is the money." (Schlozman and Verba, 1979: p. 55) This study was carried out during the early stages of the deindustrialization of the 1970s, but at a time when two decades of income stagnation for much of the North American working population were just beginning. Subsequent developments have provided ample demonstration, if it was needed, that money matters. Global competition for investment capital has led to the emergence of worldwide labour cost competition (O'Reilly, 1992; World Bank, 1995), pervasive economic insecurity, and increased polarization of income and wealth even in the richest countries of the world (Mishel and Bernstein, 1993: pp. 129-250; Mishel and Bernstein, 1995: 109-235; Economic Council of Canada, 1990b: pp. 33-47; 1990a). The impact of the resulting downward mobility on human well being have been devastating, as manifested in access to basic necessities such as education, housing, health care and child care (Mishel and Bernstein, 1993: pp. 357-417) and as described in the first-hand accounts of the individuals affected (Burman, 1988; Newman, 1988; New York Times Special Report, 1996). Very large numbers of people are seeing their economic situation and prospects *worsening* rather than improving, and are on the best available evidence not indifferent to that change.

Under these conditions, the enterprise of asking questions about the relations between income and well being assumes a certain air of unreality, and also suggests a troubling indifference to the real-world behaviour of large numbers of people and to the narratives they provide about their own experience. The questions nevertheless come up in connection with sustainable development because one version of the concept holds that ecological limits to growth are considerably closer than acknowledged by the Brundtland Commission (see e.g. Duchin, 1994; Goodland, 1992; Goodland, 1995). On this view, failure to respect ecological limits will turn global economic life into a zero-sum game (or past a point, a negative-sum game) for biophysical reasons. Thus, the imperative identified by the Brundtland Commission can only be achieved through global redistribution of wealth and access to resources combined with a substantial reduction in economic output in the industrialized countries. Assessing the evidence that the requirements of environmental sustainability[i] create limits to growth is outside the scope of this article. However, if one accepts this view of ecological constraints, then the consequences in terms of human well being assume considerable importance.

Above and beyond the most basic of needs, which are most often defined (as in the UNICEF research) by a particular society's conspicuous failure to meet them, two superficially similar propositions often show up in discussion of the connection between income and human well being. The first proposition is that income is largely irrelevant to human well being, above a certain threshold level; money matters less as you have more of it. The second proposition is that the uses to which people with incomes below that threshold level are likely to put any increase in their incomes gives ethical priority to their claims for a share of the economic system's output, even though intersubjective comparisons may have great difficulty in showing that income losses matter more to the rich than income gains do to the poor. In other words this proposition, which is the one implied by the Brundtland report's discussion of essential needs, holds that money *should* matter less as you have more of it. Although these two propositions are sometimes intermingled in the sustainable development literature, their structure and implications are quite different.

Money, Choice and Well Being: Two Propositions Distinguished

A version of the first proposition is embodied in the United Nations Development Program's Human Development Index (HDI). The HDI is an attempt to compare levels of human development across countries, and to some extent within them, using a single index based on three criteria: longevity, knowledge (as measured by a combination of adult literacy and average years of schooling), and income. (For details on how the HDI is calculated see UNDP, 1994: pp. 90-92). The HDI is undeniably valuable as an indication of the relative effectiveness with which countries where per capita income is low relative to the levels taken for granted in the industrialized world use that limited income to "purchase" increases in the ability to meet basic needs (e.g. UNDP, 1993: p. 15; UNDP, 1996: p. 30). For example, according to calculations that are reported in the UNDP's annual *Human Development Report,* in 1992 the HDI for Nicaragua was far higher than that for Pakistan (0.583 as against 0.393), despite roughly comparable adjusted gross domestic product (GDP) per capita.[ii] The difference resulted from far higher life expectancy and adult literacy in the former country. Similarly, Ecuador and El Salvador had roughly comparable GDP per capita (US $1000) but Ecuador's HDI was 0.718 as against El Salvador's 0.543 (UNDP, 1994: p. 16). Strikingly, these comparisons show that Nicaragua had achieved an HDI higher than that of El Salvador on the basis of less than half that country's adjusted per capita GDP.

The issue of the diminishing marginal utility of income arises because the HDI is heavily rigged against the conclusion that money matters beyond the average world income level, as adjusted for purchasing power parity (US $5,711 in 1993). Above this threshold, an additional calculation is performed which means further increases in per capita income have almost no effect on the HDI. For purposes of calculating the HDI, this ledgerdemain transforms the per capita GDP of Mexico into a figure virtually identical to that of the United States: US $5,783 for Mexico and $5,793 for the United States as of 1993! By comparison, real GDP per capita figures after UNDP's adjustment for purchasing power, but before this further weighting, were US $7,010 for Mexico and $24,680 for the United States.[iii] Averages are doubtless misleading, but a calculation that has the effect of wiping out a the threefold difference in average real per capita income between two countries for purposes of comparing the well being of their residents should raise some warning flags. Even among the richest people in the richest countries in the world, the behavioural evidence that might validate it is equivocal.

Ronald Inglehart (1990) has identified cohorts of people with what he calls postmaterialist value structures who are economic "underachievers" as compared to people whose levels of education are comparable, but who work in different occupations with higher incomes and who have different value orientations. Nevertheless, postmaterialists are on the whole relatively privileged in economic terms, reflecting a high level of "formative security" (Inglehart, 1990: pp. 162-163). "In the very nature of things, Postmaterialists tend to be those who start life with all the advantages; to a considerable extent, that is *why* they are Postmaterialists" (Inglehart, 1990: p. 170, emphasis in original). Some sacrifice of income for other values is occurring, but these sacrifices are being made at a relatively high point in national distributions of income and economic opportunity, and of course in the global distribution. However, coming back to the comparison between Mexico (which already ranks as a "high human development" country in global terms, according to the HDI) and the United States helps to clarify our thinking about income and well being.

Assume that average Mexican longevity and education were somehow, magically, to rise to average US levels while maintaining income constant. Do we really think that life would be equally good on both sides of the border? That Mexicans would cease trying to migrate to the United States, or that Americans (who are, on the average, more than three times richer) would lose the fear of economic losses associated with Mexican immigration that has led to the costly militarization of the US-Mexican border (Dillon, 1996; Verhovek, 1996)? Clearly this example as provided is oversimplified; internal disparities in human development within Mexico (UNDP, 1993: p. 19) might continue to drive much immigration, as they probably do today. Yet the US too has its internal disparities, and is by no means a promised land for even those illegal immigrants who enter and remain undetected. Strong political support exists for measures that render them even more economically and legally vulnerable; California's Proposition 187 and recent welfare "reform" efforts will both deny illegal (and many legal) immigrants access to the country's already meagre social safety nets. The basic point remains: money matters, in terms of what it makes possible within a society, and very large numbers of Mexicans apparently consider it better to be poor and vulnerable north of the border than south of it.

Another way of looking at national economic averages was suggested by a recent discussion among members of a research team in which I participate. One member made a claim similar to that embodied in the *Human Development Report* calculation, to the effect that improvement in basic indicators (and therefore in human welfare) is very modest beyond a per capita annual income of roughly US$ 7,000. In response, I asked the group how many people would be prepared to move to such a country. One member, a university professor, said: "On a per capita basis, that's what I earn now"--from which I infer that he was the sole income earner in a household with at least four members, and probably more. Another participant argued that the distinctive infrastructure of an energy- and resource-intensive society makes higher incomes essential, when this might not otherwise be the case.

There is some merit to this last comment. Low-density urbanization does, for example, make it much more difficult to get along without a car. However many people of limited means have no option, suggesting the blurred line between necessity and convenience. It is difficult to envision life in even the most advanced "sustainable city" as being attractive to contemporary academics against the background of society-wide per capita annual incomes a third of those in contemporary North America, because of a point my first interlocutor overlooked. He benefits from various items of infrastructure financed, through both private and public consumption, by people with incomes considerably higher than his. In a society with a per capita income of $ 7,000 rather than $24,000, does he think that his absolute income would remain the same? If so, all he is saying is that it is better to be rich in a middle-income society than middling in a rich one. Alternatively, would he consider adequate the quality of public education and libraries, and of medical care available to him and his family at a comparable point in the poorer society's income distribution? One is entitled to scepticism on this point.

This brings us to the explicitly normative proposition that tradeoffs between policies that facilitate the provision of adequate levels of nourishment, clothing, shelter and health care rather than (for instance) the purchase of luxury cars by local elites or the accumulation of offshore bank accounts should be resolved in favour of the former option. Once again, it is important to note that much development policy and most development agencies have, at least until recently, implicitly rejected this conclusion. However World Bank economist Robert Goodland (1995: pp.

5-6), one of the most forceful proponents of the view that even today's global level of economic activity is environmentally unsustainable, has accepted it with specific reference to the constraints supposedly imposed by the requirements of environmental sustainability. Citing Serageldin (1993), Goodland points to

> ... the persuasive case that in low income countries achieving per capita income levels of $1,500 to $2,000 (rather than OECD's $21,000 average) is quite possible. Moreover, that level of income may provide 80% of the basic welfare provided by a $20,000 income--as measured by life expectancy, nutrition, education, and other aspects of social welfare. This tremendously encouraging case remains largely unknown, even in development circles. .... Colleagues working on the northern hemisphere's overconsumption should address the corollary not dealt with by Serageldin: Can $21,000/capita countries cut their consumption by a factor of 10 and suffer "only" a 20% loss of basic welfare? If indeed both raising the bottom (low income rises to $2000) and lowering the top (OECD income declines to $16,000) prove feasible, that would be tremendously encouraging and would speed ES [environmental sustainability].

Apart from the political implausibility of this proposition, its arithmetic is interesting: if a per capita annual income of $2000 will actually produce in poor countries a level of basic welfare equivalent to that associated with a basic income of $16,000 in the rich ones, why does the eightfold difference matter? The preceding discussion strongly suggests that the difference is not primarily due to the difference in purchasing power, but to the fact that money matters. In a multitude of ways, the quality of life in rich countries even after the redistribution hypothesized by Goodland would continue to be vastly superior to the quality of life in poor ones, despite the similarity in basic indicators.

With this in mind, as well as the earlier comparison of the United States and Mexico, we should turn to the familiar argument that measures of the value of national income or production like GDP or GNP[iv] are inadequate as proxies for human well being. In addition to the weakness just identified, they miss the key point that one person's expenditure is someone else's income, even if it is a so-called defensive expenditure which mitigates or might avoid the effects of environmental pollution, rising crime or unhealthy eating habits. Admittedly, a great deal can be learned from examining the composition of GNP in qualitative terms. A particularly useful example comes from California:

> In 1980, California spent two percent of its budget on prisons and over 12 percent on higher education. Now the state's proposed budget will devote almost 10 percent to prisons and 9.5 percent to higher education. By the year 2002 ... the state Department of Corrections will gobble up 18 percent of the state's budget; higher education will nibble on one percent. (Reich, 1996: p. 19; see also Walker, 1995)

A disinterested observer, if there were such a creature, would almost certainly say that--other things being equal--Californians would be better off if the state spent more on colleges and less on corrections, just as Americans as a whole would be better off if the actual or perceived need for expenditures on medical care and policing associated with violent crime were reduced (Miller *et al*., 1996). In anything approximating a market economy with formally democratic political institutions, this is what would happen were crime rates to decline over a prolonged period; the expenditures in question might be replaced by public spending on colleges and universities, or by private expenditure as individual consumers took advantage of the added disposable income resulting from lower tax bills. However, their expanding share of the state budget is anything but irrelevant to the California prison guards who staff the prisons and to the companies that build them (Butterfield, 1995). Prison guards see a very strong connection between their income and their well being, and that includes the opportunities for career advancement provided by a crime control industry (Christie, 1993) that is expanding rather than contracting.

Spending on crime control, which is often cited as an illustration of how national income figures mislead with respect to human well being, suggests two conclusions. First, unless we are prepared to make the conceptually precarious leap of applying a discount factor to certain kinds of income based on the presumed worthiness of those receiving it (e.g. presuming that prison guards derive less well being from the same value of public expenditure than college or university teachers, because they are less worthy) we are left with an uncomfortable reality about incomes and well being. Saying this is not to abdicate judgement about the legitimacy of income-earning activities. We may well want to argue either that the activity being engaged in is morally problematic or that the returns from it are excessive, but these are conclusions about justice or desert *per se*, and not about human well being--at least, not as it is perceived by individual income recipients.

Second, measures of national income or national product simply add up the incomes, and therefore the opportunities for consumption and accumulation of income-earning assets, that a country's economy provides. Critiques of national income or national product measures should be evaluated with this in mind. GNP or GDP cannot provide a complete indication of a nation's well being; the fact that money matters does not mean that money is everything. However, a richer nation (like a richer household) has opportunities and choices that are simply not available to a poorer one. The opportunities may be squandered. Many of us view the failure in the rich countries to preserve more wilderness, and to apportion the resulting losses in national income equitably, as an example. The choices may be made in ways that are unjust or even vicious. Many of us view the failure of the United States to provide better income support for its poor and adequate health care for all its residents as unjust, and the pursuit of defence expenditure rather than provision of basic needs in the United States and many of the world's poorest countries alike (UNDP, 1994: pp. 47-60; WCED, 1987: pp. 296-300) as vicious. Such judgements are independent of the fact that the choices are there only because of the wealth of states like California and nations like Canada. If those jurisdictions were radically poorer, then the choices would be fewer in number. As noted in the next section of this article, national income and national product figures are opaque with respect to issues of distribution; they do, however, tell us quite a bit about how much deprivation and desperation could be avoided should a society or its rulers choose to do so.

This point is familiar in the context of health planning, where interventions that are taken for granted in most industrialized countries emerges as prohibitively expensive in poor ones. Against a background of poverty, those interventions would wipe out too many choices elsewhere in the economy. Outside the context of health planning, the point is perhaps best understood with reference to the social history of jurisdictions that have undergone extraordinarily rapid economic growth and political development over just a few generations, and to the choices that growth has made available (on the province of Ontario, Canada see McDougall, 1986).

"Situated Knowledge" and the Distribution of Income and Well Being

Economic disparities both within and between Mexico and the United States highlight the need for explicit consideration of distributional questions. In terms of what it tells us about human well being, income or economic output per capita is a meaningless datum when applied in the context of the entire world, and is only slightly more useful at the national level. Disparities in living standards even within rich nations mean that if we want to make responsible statements about human well-being, then indicators of any kind (whether they refer to health status, environmental quality, income or a multitude of other things) that do not differentiate among classes, races and regions or between genders are of limited value.

Thus, conventional indicators of health status of the US population as a whole tell us little about the specific vulnerability of those without health insurance coverage (Franks *et al*., 1993). National average life expectancies tell us little about the situation of young African-American men in some parts of New York City, for whom life expectancy is comparable to that of their counterparts in Bangladesh rather than their counterparts in the suburbs (McCord and Freeman, 1990), or indeed about the life expectancy of African-American men in the country as a whole, which is lower than the national Mexican average while the life expectancy of white men is more than six years higher (UNDP, 1993: p. 18). Even crude health status indicators like longevity have been shown to vary with income and social class within the rich nations (McMurtry and Brown, this issue; Phillimore *et al*., 1994; Power, 1994), and we must keep in mind that conventional indicators understate both inter- and intra-national differences in the health status of particular populations. The HDI as recently recalculated on a regional basis for northeastern Brazil was just 72 percent of the national average, and for Chiapas in southern Mexico just 78 percent of the national average (UNDP, 1994: pp. 98-99; see also UNDP, 1996: pp. 31-32). Almost regardless of the indicators of concern, in the richest countries of the world as in the poorest, women are less well off than men (UNDP, 1995: pp. 29-45). Parenthetically, these items of information show the annual *Human Development Report* to be an indispensable source of data, of which the HDI is almost certainly the least important.

Because individuals' and households' economic status is a core variable with important ramifications for other aspects of well being, considering income and wealth distribution is especially important. According to the *Human Development Report*, per capita income as adjusted for purchasing power in the United States was US $24,240 in 1993; in the Netherlands, $17,330 and in the United Kingdom $17,210. However, the per capita income of the poorest quintile (one-fifth) of the population was US $5,814 in the United States, $9,070 in Japan, $7,105 in the Netherlands and $3,958 in the United Kingdom. For purposes of maximizing your expectations of well being, assuming the choice were available, in which country would you prefer to be? The answer probably depends on whether you are in that bottom fifth or are at some risk of being there in the future--in other words, on your economic situation or class position. The answer might further be affected by the fact that the United States is alone among the industrialized nations in failing to provide guaranteed minimal access to health care that is independent of access to purchasing power. Conversely, at the top end of the economic scale you are almost certainly better off in the United States, at least until you suffer a costly accident or catastrophic illness, which (as shown by the situations of celebrities Margot Kidder and Christopher Reeve) can quickly exhaust the resources and the insurance coverage even of millionaires. Here again, money matters.

The example of health insurance suggests that more careful attention to the economic texture of everyday life might tell a more eloquent story of the inseparable connections among income, wealth and well being (*cf*. Abraham, 1993; Blaxter, 1983). So might finer gradations in the statistical data. A recent magazine article (Cobb *et al*., 1995) asked "If the GDP is Up, Why is America Down?" and tried to answer the question with a familiar litany of ways in which national income figures are misleading as indicators of human well being. The authors paid far too little attention to straightforward issues of income and wealth--for instance, to the fact that over the last decade or so for which figures are available, the total value of the income received by the poorest three-fifths of US families actually decreased, while 71 percent of the increase in the nation's income was captured by the *top one percent* of the income distribution (Mishel and Bernstein, 1995: pp. 43-44). Figures on the distribution of wealth show a similar pattern (Mishel and Bernstein, 1995: pp. 237-252; Hurst, Luoh and Stafford, 1996). To the extent that critics of GDP or GNP as indicators of well being emphasize its indifference to such distributional considerations, they are absolutely correct. The figures tell us nothing about the relative incidence of desperation and security, of deprivation and comfort.

In the industrialized countries, the work of the Luxembourg Income Study (LIS) project[v] is particularly useful in providing a comparative perspective on such questions. For example, on the basis of cross-national comparisons of family or household income that are adjusted to take into account not only differences in purchasing power but also family size and the age of the head, Rainwater and Smeeding (1995, p. 9) found that in 1991, "while the United States has a higher real level of income than most of our [17] comparison countries it is the high and middle income children who reap the benefits (and much more the former than the latter). Low income

American children suffer in both absolute and relative terms. The average low income child in the other 17 countries," defined as a child in a household with the median income of the bottom 20 percent of the population in economic terms, "is at least one-third better off than is the average low-income American child." Using a poverty line based on half the median income in the country in question, after the adjustments for household size and age of household head described earlier, they went on to compare the incidence of child poverty in their 18-country sample, and found that the United States had by far the highest child poverty rate at the end of the 1980s (21.5 percent). By comparison, child poverty rates in Australia, Canada, Ireland and Israel were between 10 and 15 percent, with the United Kingdom at 9.9 percent. However a number of countries (Austria, Norway, Luxembourg, Belgium, Switzerland, Denmark, Sweden and Finland) had achieved child poverty rates of less than five percent--indicating a far less unequal distribution of income, at least at the bottom end of the income scale (Rainwater and Smeeding, 1995: pp. 10-12). In many of those countries, tax and transfer policies (whose effects are taken into account in the income comparisons) have played a crucial role in reducing the number of children who would grow up in poverty if reliant exclusively on market income; the United States is by far the most conspicuous failure in this respect (see also Rainwater, 1993).

Outside the industrialized world, economic disparities within and between nations loom even larger. In Brazil and Guatemala, for example, the per capita income of the poorest fifth of the population is just 10 percent of that of the richest fifth; globally, "the net worth of the 358 richest people, the dollar billionaires, is equal to the combined income of the poorest 45% of the world's population" (UNDP, 1996: p. 13). Disturbingly, economic inequality appears to be increasing both globally (UNDP, 1992: pp. 34-41; UNDP, 1996: pp. 12-13) and within many nations as they become integrated into an increasingly seamless international economy. Such integration not only exacerbates inequality but also worsens the lot of the vulnerable, as shown both by the UNICEF work on structural adjustment policies and by the pattern of deepening economic inequality in the former command economies of central Europe and the constituent republics of the Soviet Union. In its most recent *World Development Report*, the World Bank notes that income disparities between rich and poor are rising toward United States levels (World Bank, 1996: p. 68), primarily because of vastly increased incomes at the top of the income distribution (World Bank, 1996: p. 70). Wages are falling while unemployment has risen dramatically (World Bank, 1996: p. 75); in many countries health, nutrition and gender equality indicators are all on the decline (UNDP, 1996: pp. 18-19). The risk factors for sliding downward into poverty are much like those in the industrialized countries: belonging to a single-parent family; unemployment; minimal education; and being old (World Bank, 1996: p. 71; it should be noted that the reduced risk of poverty for those of retirement age or older in the industrialized countries is a recent phenomenon attributable to postwar welfare state institutions that are now under attack).

The link between income and well being must be recognized as "situated knowledge" (Haraway, 1988) in two respects. First, whether income and other data actually provide information depends crucially on whether they specify whose income, health status or well being is being talked about--in class, gender, regional and racial terms, to note just a few of the most relevant distinctions. An important and unfortunately neglected study (Osberg, 1985) carried out for a Canadian royal commission used this insight to show the value of *incidence analysis* whenever the effects of economic policy options and choices, including continuation of the status quo, are being considered. "Economic policies have aggregate effects only because they affect specific individuals. To defend a policy we must therefore be prepared to justify both the aggregate distribution of gains and losses and the particular incidence of those gains and losses." (Osberg, 1985: p. 76; see generally pp. 74-77) The study used North American continental free trade as an illustrative case, and identified both effects on poverty and income inequality and effects on the security of individual year-to-year income flows as relevant dimensions of human well being that could be incorporated into such policy analyses.

Second and perhaps more controversially, the concept of situated knowledge demands attention to the situation of the observer as well as that of the observed. Who is deciding what is to count as an indicator of well being? On whose behalf? Have those who argue that money doesn't matter been insulated from the life experiences that would call their views into question? Need they ever fear impoverishment? Knowing about social conditions from the top, from a perspective that permits and even encourages detachment rather than engagement--what Haraway calls the god's-eye view--is not at all the same as knowledge from the bottom. More to the point, both perspectives are epistemologically valid.

This point was emphasized by a recent series in the *Washington Post* comparing the views of academic economists and a cross-section of Americans about the state of the country's economy (Morin and Berry, 1996; Chandler and Morin, 1996; Brossard and Pearlstein, 1996). Whereas conventional indices of inflation and unemployment paint a bright picture of economic recovery, many Americans estimate both rates to be several times as high. But being wrong on the statistical details may coincide with being right about the growing economic marginalization of many Americans who see themselves, and their neighbours, losing job security and benefits and working longer and harder for less. Their view is, in fact, borne out by more sensitive statistical indicators (Mishel and Bernstein, 1993; Mishel and Bernstein, 1995) but also reflects an important difference in situation:

> [E]conomists tend to be members of a social, intellectual and economic elite that has fared relatively well over the past 20 years. Two-thirds of economists report that their household incomes have outpaced inflation over the past five years--compared with only 14 percent of the public. And many of the economists hold down tenured teaching positions that afford them lifetime job security.
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> `Most of us as economists have the luxury of viewing the creative destruction going on in the economy from a somewhat detached platform,' said Michael J. Podgursky, chairman of

> the economics department at the University of Missouri. `For most other people, they view that change up close--and it looks rather scary right now.' (Brossard and Pearlstein, 1996)

Unfortunately, most people involved with sustainable development lack Podgursky's acuity with respect to the issue of situation (see also Woolf, [1931]1995).

"Addictive Consumption"?

Faced with abundant evidence of the connection between income and human well being, some observers claim that the behaviour providing such evidence is misguided, even irrational. A recent article lumped together under the heading of "addictive consumption" such phenomena as immoderate drinking, overuse of credit cards and overeating (Cobb *et al.*, 1995: p. 67). Boyden and Dovers (1992: p. 68) argue that consumer spending substitutes for the more authentic fulfilment of a variety of human needs:

> [A] common and effective response to feelings of depression in the affluent societies is an expedition to the shopping centre. In previous societies these needs were satisfied in other ways. Indeed, it is a reasonable hypothesis that consumer behaviour in modern Western populations makes an important contribution to human health and well-being by compensating, to a considerable extent, for the decline of various intangible sources of enjoyment characteristic of some earlier societies, e.g. creative behaviour, a sense of belonging and a sense of personal involvement.

Further examples abound in the environmental literature.

Such condescending amalgams of pop anthropology and pop psychiatry are relatively easy to dismiss, especially when (as with the comment by Boyden and Dovers) the effectiveness of the response in question is admitted, arguably making power shopping just another example of successful adaptation. Disturbingly, Juliet Schor's carefully researched exploration of why postwar increases in productivity have not also generated an increase in free time for US workers (Schor, 1992: pp. 17-41) drifts at times into similar rhetoric. Schor's central argument, well grounded in quantitative economic history, is that employers enjoy considerably more bargaining power than workers in the labour market; the relationship is asymmetrical. Because it is usually less costly for employers to have workers put in longer hours than to hire additional workers, the effect is often to preclude the availability of a tradeoff between employment income and free time, even though many workers might prefer shorter hours and less income but more free time if that option were available (Schor, 1992: pp. 43-82).

Schor realizes that much of what she views as overwork is a response to economic necessity (Schor, 1992: pp. 31, 39-41) and that her proposals for redistributing working time might lead to even greater economic inequality in the absence of direct redistribution of income (Schor, 1992: pp. 150-152). However, rather than focusing on the implications of the asymmetry between workers and employers in a context of global competition (the reality for many of us is almost certain to be longer hours and *less* income), or on the growing asymmetry between the returns to capital and the returns to almost any sort of work, Schor goes on at length about how "materialist culture" and "consumption traps" contribute to an "insidious cycle of work-and-spend" for the middle class (Schor, 1992: pp. 107-150, 157-162).

Such rhetoric fails to reflect the realization that knowledge about income and wealth is situated. Consumption of a kind many environmentalists apparently think of as universal is probably accessible only to the richest decile of the population even in Canada, one of the richest countries in the world (Schrecker, 1994). The focus on consumption diverts attention from income as a precondition for security of many kinds (UNDP, 1994: pp. 24-33)--hence the first epigraph to this article. In *A Room of One's Own* Woolf told of having received a small legacy "about the same time that the act was passed that gave votes to women" and commented that: "Of the two--the vote and the money--the money, I own, seemed infinitely the more important" because it rescued her from the necessity of making a living "by cadging odd jobs from newspapers, by reporting a donkey show here or a wedding there ... by addressing envelopes, reading to old ladies, making artificial flowers, teaching the alphabet to small children in a kindergarten" (Woolf, [1928]1963: pp. 38-39). In a context of pervasive economic uncertainty, security is perhaps a more important value than ever, and simultaneously more elusive.

Focusing our attention on consumption and its motivations diverts attention away from the rules that govern how an economy's product is distributed and how the rewards from increased productivity are shared, and toward the presumably excessive desires or appetites of people who want more of what at least some others take for granted. This is an example of how a person-centred rather than situation-centred frame of reference (Caplan and Nelson, 1973) subtly builds a particular set of values into a discourse, without necessarily subjecting them to critical evaluation. Here the person-centred frame, especially as used by members of a middle class whose fitness to speak for the whole of society is sometimes taken for granted, runs the risk of entrenching professional and public indifference to the uncertain economic situation of what is fast becoming a vulnerable majority (cf. Schrecker, 1994).

Finally and most importantly, there is a clear and critical difference between engaging in debate about what people want and trying to use moral authority as a substitute for argument by pathologizing certain subsets of those wants, for instance by invoking the vocabulary of addiction and compulsion. The first enterprise is essential; the second is indefensible. Epistemological and sociological scepticism about polemics against "shop 'til you drop" (Schor, 1992: pp. 107-112) does not leave as the only alternative the neoclassical economic view that individual wants must be taken as given (Sunstein, 1991). In his complex essay on *The Limits to Satisfaction,* William Leiss (1976) emphasized the learned nature and symbolic dimensions of associations between welfare and commodities in what he termed the high-intensity market setting. However, he avoided the presumption that such associations were inauthentic, while making a careful case for "reorientation of our social and economic behaviour away from dependence on a high consumption lifestyle". To oversimplify a complex and important set of philosophical arguments, much of what we call environmentalism is in one way or another organized around the claim that some consumer preferences should be changed or should not be realized (because, e.g., of their impact on the natural environment). Further, a strong argument can be made that people's preferences as individual consumers and as members or citizens of a society may be quite distinct, and that a process of deliberating about the content of individuals' preferences and the reasons for them is integral to any viable conception of democracy (Sunstein, 1991; Sagoff, 1987). "A system that takes existing private preferences as the basis for political choice will sacrifice important opportunities for social improvement ..." (Sunstein, 1991: p. 11). Both these lines of reasoning must be distinguished from, and must not rely on, a claim that certain kinds of wants are somehow manipulated, manifestations of false consciousness, or otherwise less-than-real.

Conclusion: Income and Wealth in a Sustainable Future

The transition to sustainable patterns of development, almost regardless of how one defines sustainability, requires debate both about the content of consumer preferences and about the tension between those private wants and conceptions of the public good. This presumes, of course, the existence of political conditions under which such a debate can occur without endangering its participants. Such conditions are by no means universal (UNDP, 1992: pp. 26-33). Even under such permissive political conditions the problem of income remains, as Oates reminds us, and "[p]overty itself is perhaps the most severe obstacle to the free development of preferences and beliefs" (Sunstein, 1991: p. 23).

If we take sustainability to imply not just different kinds of consumption and expenditure but radical reductions in both, at least in the rich countries, then (as Goodland rightly and courageously points out) reductions in national income are part of the package. This is another manifestation of the principle that one person's expenditure is another's income. William Rees (1992; Rees and Wackernagel, 1994) has popularized the concept of a city's or region's ecological footprint as a catchy way of describing the broader geographical impacts of consumption patterns. Rees says that cities, for example, use up many times the land area that lies within their boundaries just to meet their denizens' food and energy requirements. However, the ecological footprint concept must be applied as well to the activities that together generate the income generated or earned by the residents of a region--including, of course, that part of income that is channelled through public treasuries, and including not only labour income but also income accruing to the owners of capital. Ecological footprint analysis as applied to income-generating activities well as to patterns of consumption would show how work that itself requires low throughput of resources, like that of educators and many health care providers, is supported by tax and royalty revenues. In the province of British Columbia, these may be derived from environmentally unsustainable forestry and mining operations; in Ontario, where the auto industry accounts for much of the province's remaining industrial base, revenues may be dependent on the fortunes of North American automobile markets. Such analysis would also show the connections between income earned by the owners of capital within a particular region and ecologically destructive practices, elsewhere in the region or halfway around the world.

This information makes quite a difference. If other aspects of the economies in question remained as they are, then adopting sustainable forest management practices or reducing North America reliance on private automobiles would reduce educators' and health care providers' incomes along with everyone else's. Moving toward a more egalitarian distribution of the available resources in the industrialized countries within the constraint of static, or even shrinking aggregate income at the regional or national level would generate the anticipation of substantial losses on the part of the actors best able to defend their incomes, whether through political organization or through property rights. Ideally, the result would be a philosophical debate about entitlement to income and wealth, which would deconstruct the idea of "merit" and explore the moral dimensions of the automatic entitlement to income associated with the ownership of property in general, and of financial assets in particular. A more likely outcome, which must be taken into account when discussing the social dimensions of sustainable development, is that potential losers would defend their incomes by all means at their disposal. *In extremis*, these means might include not only massive capital flight but also direct attacks on the formally democratic political institutions that give others a claim on those incomes through redistributive tax and expenditure policies (cf. Przeworski, 1987; Schrecker, 1993). In such a scenario the economic losses associated with any transition to environmental sustainability would be borne primarily, if not exclusively, by those who are already economically insecure and vulnerable.

Despite this gloomy prospect, advocates of sustainable development need take neither today's distribution of political and economic power nor today's structure of motivations as given. Indeed, there are abundant reasons not to do so, not to be practical. Catharine MacKinnon (1987: p. 70) defends her profound and imaginative investigation of gender bias in law and public policy against the charge of impracticality by saying: "I have learned that practical means something that can be done while keeping everything else the same." When everything else provides the context that is part of the problem, then a responsible approach to public policy demands that we be impractical. This means drawing on the concept of sustainable development as a source of moral imagination, while maintaining both a sociological and an ethical awareness of how and why money matters.

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Notes

1. Here I follow Goodland (1995) in drawing a clear distinction between environmental sustainability and social and economic sustainability.

2. The distinction between Gross National Product (GNP) and Gross Domestic Product (GDP) is that GDP measures the value of a national economy's total output of goods and services. GNP adjusts for net factor income, meaning that it adds to GDP labour and investment income received from non-residents of the jurisdictional unit in question, while subtracting payments by the unit's residents that show up as income in another unit's GDP. Although important for a number of purposes, especially in a global economy characterized by rising volumes of trade and investment both within and among national jurisdictions, the distinction is of little significance for the theoretical purposes of the present article. GNP may be marginally superior since it reflects income earned by the residents of a nation rather than the value of their output, and I have therefore used it except where the context specifically requires reference to GDP--for instance, because GDP rather than GNP is the datum used in the *Human Development Report*.

3. If the adjustments for purchasing power reflect reality, the economic gap between the United States and Mexico will widen even further in the UNDP's figures over the next few years, because of the decline in purchasing power associated with the dramatic devaluation of the peso in 1994-95.

4. See note 2, above.

5. Further information about the LIS is available c/o the Maxwell School of Citizenship and Public Affairs, 426 Eggers Hall, Syracuse University, Syracuse, NY 13244-1090; by e-mail from LISAA@maxwell.syr.edu; or from the LIS web site at http://www-cpr.maxwell.syr.edu/lis_part/lisintro.htm.

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